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**FISCAL IMPACT STATEMENT**

**LS 7729**

**BILL NUMBER:** HB 1567

**NOTE PREPARED:** Jan 19, 2007

**BILL AMENDED:**

**SUBJECT:** Funding of child services.

**FIRST AUTHOR:** Rep. Crawford

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 2007	FY 2008	FY 2009
State Revenues			
State Expenditures		55,000,000	228,000,000
Net Increase (Decrease)		(55,000,000)	(228,000,000)

**Summary of Legislation:** This bill freezes the amount of a county's obligation to provide local funding for child services from the county family and children's fund at an amount equal to the county's contribution for 2005.

The bill requires the Department of Child Services to provide any additional funding necessary to pay the costs of child services. It eliminates the duty of a county to enter into a temporary loan or issue bonds or other obligations to provide for the difference between the amount levied and the amount needed to pay for child services.

The bill also requires the Budget Agency to reimburse a county for child services expenditures in 2006 and 2007 that exceeded the county's contribution for child services in 2005.

**Effective Date:** July 1, 2007; January 1, 2008.

**Explanation of State Expenditures:** *Summary:* This bill would result in an estimated overall increase in

state expenses of \$55 M in FY 2008, \$228 M in FY 2009, and \$134 M in FY 2010. This bill makes no appropriation.

Under this bill, beginning with taxes payable in CY 2008, the county family and children's fund property tax levy would be frozen at the amount of:

1. The 2005 levy for the fund that was used to pay child services provided in 2005; Plus
2. Cash balances in the fund on January 1, 2005 that were attributed to a levy and used to pay costs incurred in 2005; Plus
3. The principal of any debt incurred to pay for child services provided in 2005; Minus
4. Reimbursements.

The state would distribute to counties the difference between the county's children's services appropriation and the amount in the family and children's fund for deposit into the fund.

In 2005, the total fund levy was \$264 M, the expected beginning cash balance was \$81 M and the expected ending cash balance was \$76 M. Based on this data, it is estimated that the property tax levy for the fund would be frozen at \$286 M for CY 2008 and years following.

Under current law, the total gross levy is estimated at \$404 M in CY 2008, \$424 M in CY 2009 and \$445 in CY 2010. This bill would result in estimated local gross levy reductions of \$118 M in CY 2008, \$139 M in CY 2009, and \$160 M in CY 2010.

Subject to appropriation, the state's expense for PTRC and homestead credit would be reduced by an estimated \$11 M in CY 2008, \$14 M in CY 2009, and \$16 M in CY 2010. When the state credits are netted out, the net levy would be reduced by an estimated \$107 M in CY 2008, \$125 M in CY 2009, and \$144 M in CY 2010.

On a fiscal year basis, there would be a net increase in state expenditures estimated at \$55 M in FY 2008, \$116 M in FY 2009, and \$134 M in FY 2010.

*Additional Distribution:* In addition to paying for appropriations above the levy freeze beginning in CY 2008, the state would make a one-time distribution to counties by December 20, 2008. The distribution would equal the difference between both the 2006 and 2007 levies and the frozen levy amount under this proposal. Counties would be required to first use the distribution to pay any outstanding debt for child services. The remainder of the money would be deposited into the county's levy excess fund and would be used to reduce the CY2009 property tax levy.

This one-time distribution is estimated at \$112 M. The payment would be made in CY 2008 and FY 2009.

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** After December 31, 2007, the amount needed to pay any existing debt issued for the payment of child services would be paid from the county debt service fund.

#### **Explanation of Local Revenues:**

**State Agencies Affected:** Department of Local Government Finance; State Budget Agency; Department of Child Services.

**Local Agencies Affected:** County auditors.

**Information Sources:** Local Government Database; Department of Child Services.

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